



California
Underground Storage Tank (UST)
Cleanup Fund Update

For

Water Quality Coordinating Committee

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Division of Financial Assistance

October 26 & 27, 2009





Calif. UST Cleanup Fund

Program Background

A Brief Primer

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Calif. UST Cleanup Fund

Program Background

The Fund was established in 1989 to benefit businesses, individuals, and the environment by providing reimbursement for unexpected and catastrophic expenses associated with the cleanup of leaking petroleum USTs.

\$1.5 million limit per claim.

As of September 2009, \$2.6 billion reimbursed.





Calif. UST Cleanup Fund

Program Background

The Fund's revenues are generated by a storage fee (currently 1.4 cents) for every gallon of petroleum products placed into USTs.

The fee is collected quarterly (Jan, April, July, Oct) from owners of active USTs by the State Board of Equalization (BOE).

The fee currently generates about \$220 - \$250 million per year.

New Sunset Date: January 1, 2016.



Fund Background

4-Class Priority System

Because there was never going to be enough money to pay everyone at once, the Fund's statutes established a 4-Class Priority System based on the claimants' ability to pay costs of cleanup, not threat to the environment, public health, or water quality.

Fund Background

4-Class Priority System

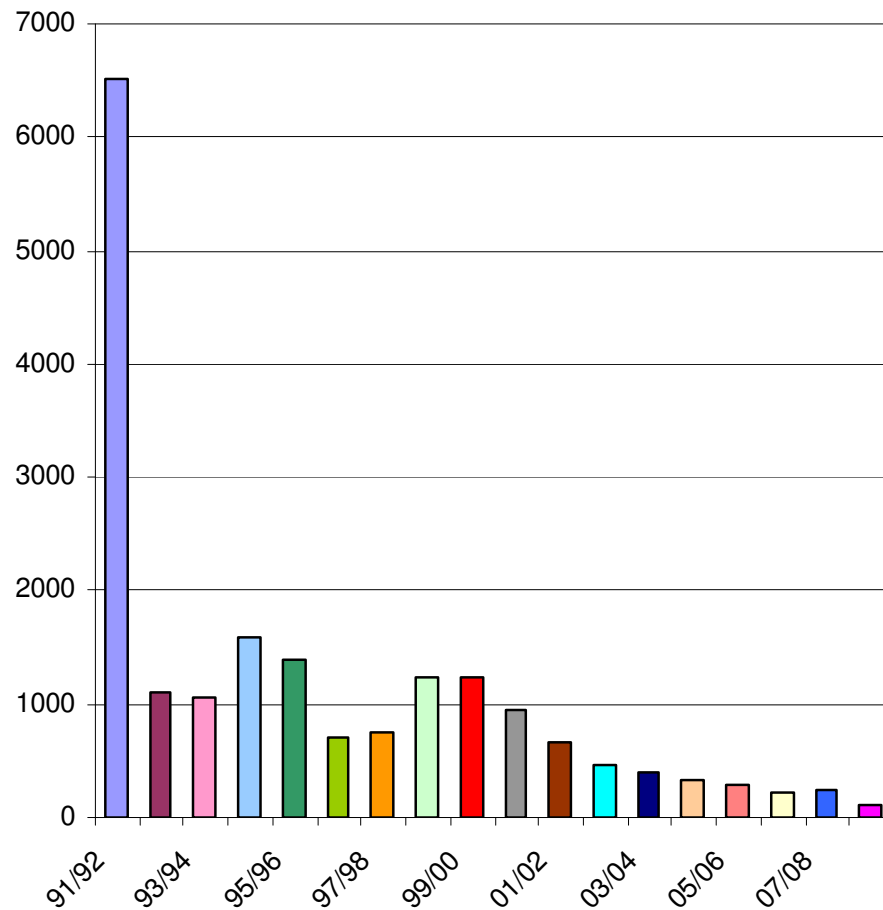
<u>CLASS</u>	<u>DESCRIPTION</u>
<i>A</i>	<i>Residential tank owners</i>
<i>B</i>	<i>Small businesses with gross receipts below a specified maximum receipts & fewer than 100 employees</i>
<i>C</i>	<i>Medium-sized businesses not meeting Priority Class B requirements and with fewer than 500 employees</i>
<i>D</i>	<i>All other eligible claimants (typically major oil companies)</i>

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Calif. UST Cleanup Fund

Total Claims Received by FY (since inception)
The rate of new claims is declining



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Calif. UST Cleanup Fund
Disposition of Claims

- *Total Claims Received* 19,200
- *Total Claims Approved* 15,600
- *Total Claims Denied or Pending* 3,600

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Calif. UST Cleanup Fund
Status of Approved Claims

● <i>Closed Claims</i>	<i>6,900</i>
● <i>Claims on Priority List</i>	<i>4,600</i>
● <i>Active Claims</i>	<i>2,900</i>
● <i>Suspended Claims</i>	<i>1,200</i>

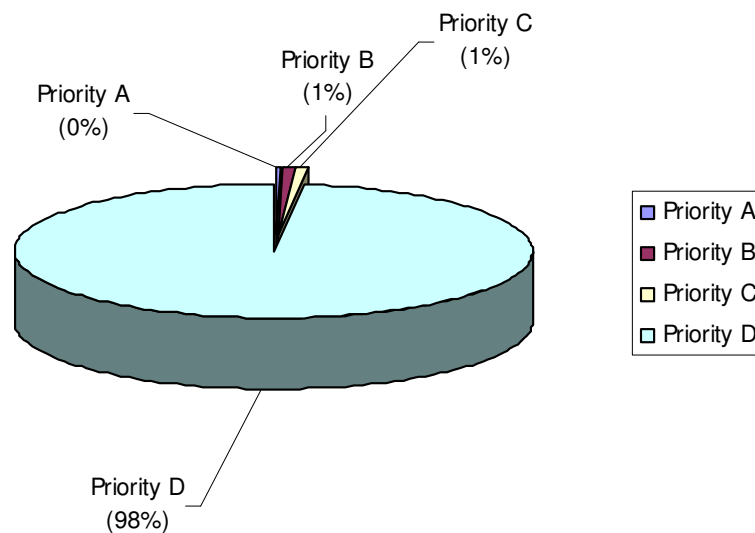
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Make-up of Priority List



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Calif. UST Cleanup Fund

Total Paid

Millions of Dollars

<i>PRIORITY</i>	<i># OF</i>	<i>\$ millions</i>
	<i>PAYMENTS</i>	<i>PAID</i>
<i>A</i>	<i>1,438</i>	<i>\$ 29</i>
<i>B</i>	<i>33,470</i>	<i>\$1,097</i>
<i>C</i>	<i>22,238</i>	<i>\$ 940</i>
<i>D</i>	<i>5,694</i>	<i>\$ 499</i>
<i>TOTAL:</i>	<i>62,840</i>	<i>\$ 2,565</i>

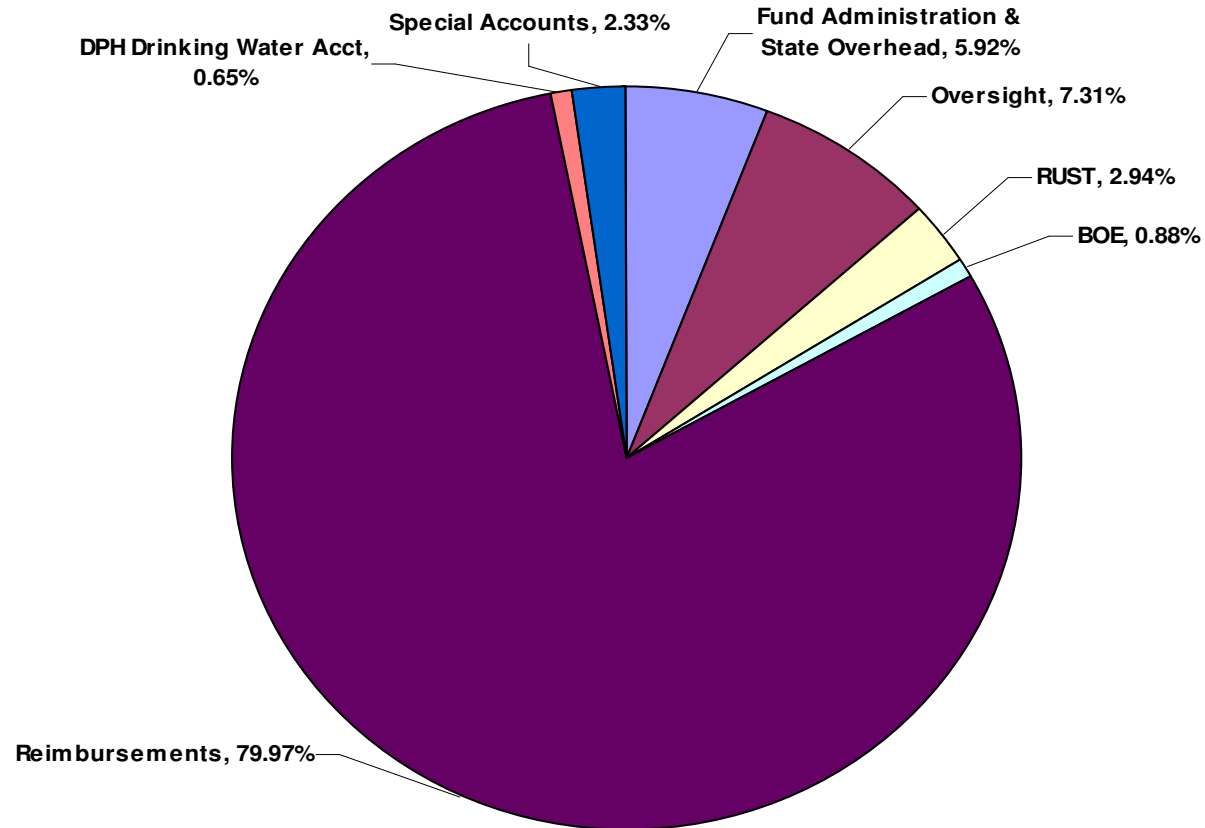
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Calif. UST Cleanup Fund

Fund Expenditures of \$3.08 Billion (Since Inception)



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■ Fund Administration & State Overhead ■ Oversight ■ RUST ■ BOE ■ Reimbursements ■ DPH Drinking Water Acct ■ Special Accounts





Calif. UST Cleanup Fund

2009 – A Year of Transition **A Cash Crunch Hits the Fund**

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Calif. UST Cleanup Fund
Why are funds so short this year?

UNDERLYING REASONS:

- 1. Revenue has decreased*
- 2. The costs for cleanup reimbursements are up*
- 3. Other costs paid by the Fund have also gone up*
- 4. Cash Reserve Depleted*
- 5. CASES ARE TAKING TOO LONG & COST TOO MUCH!**

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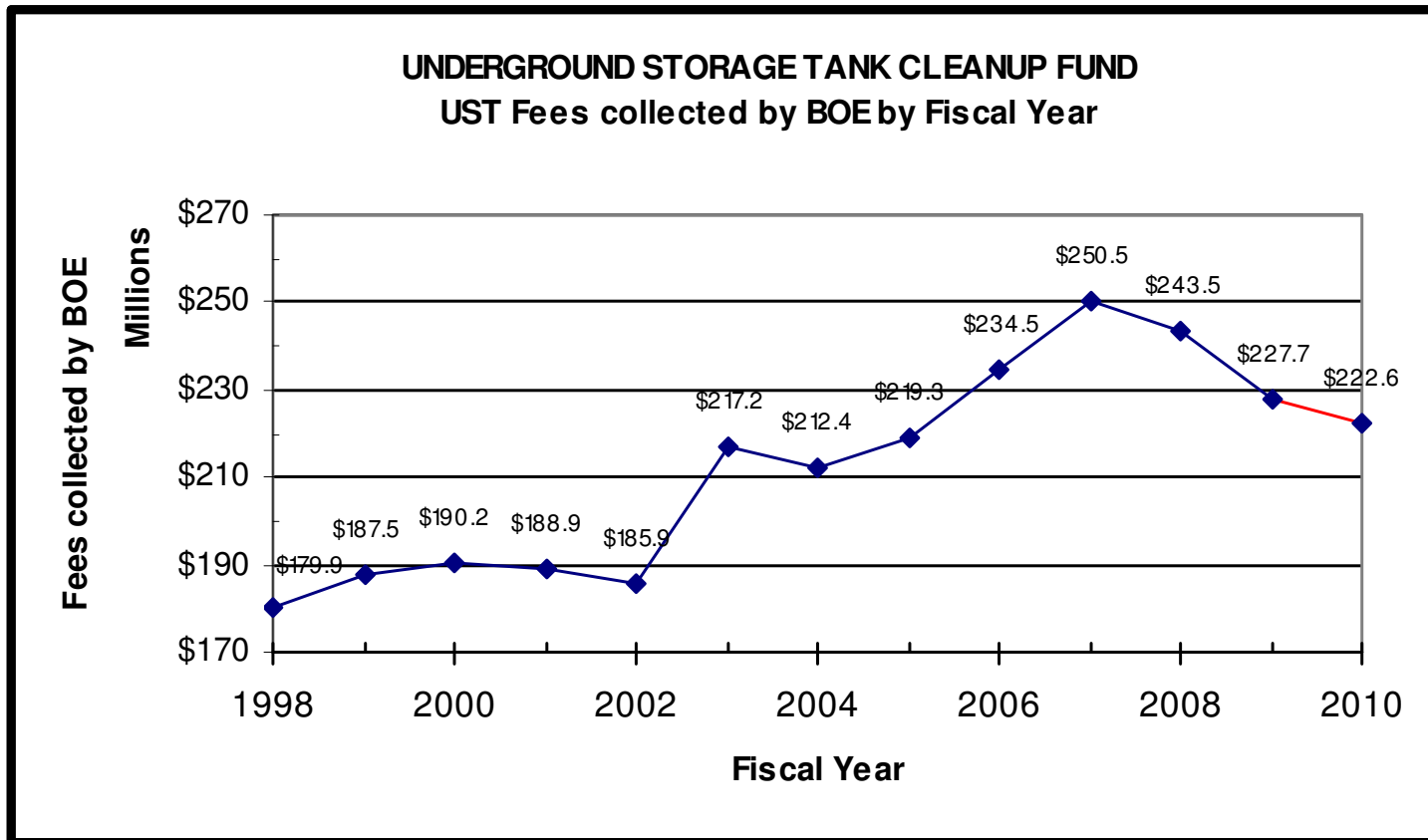




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Cash Flow Issues

Decline in Revenues



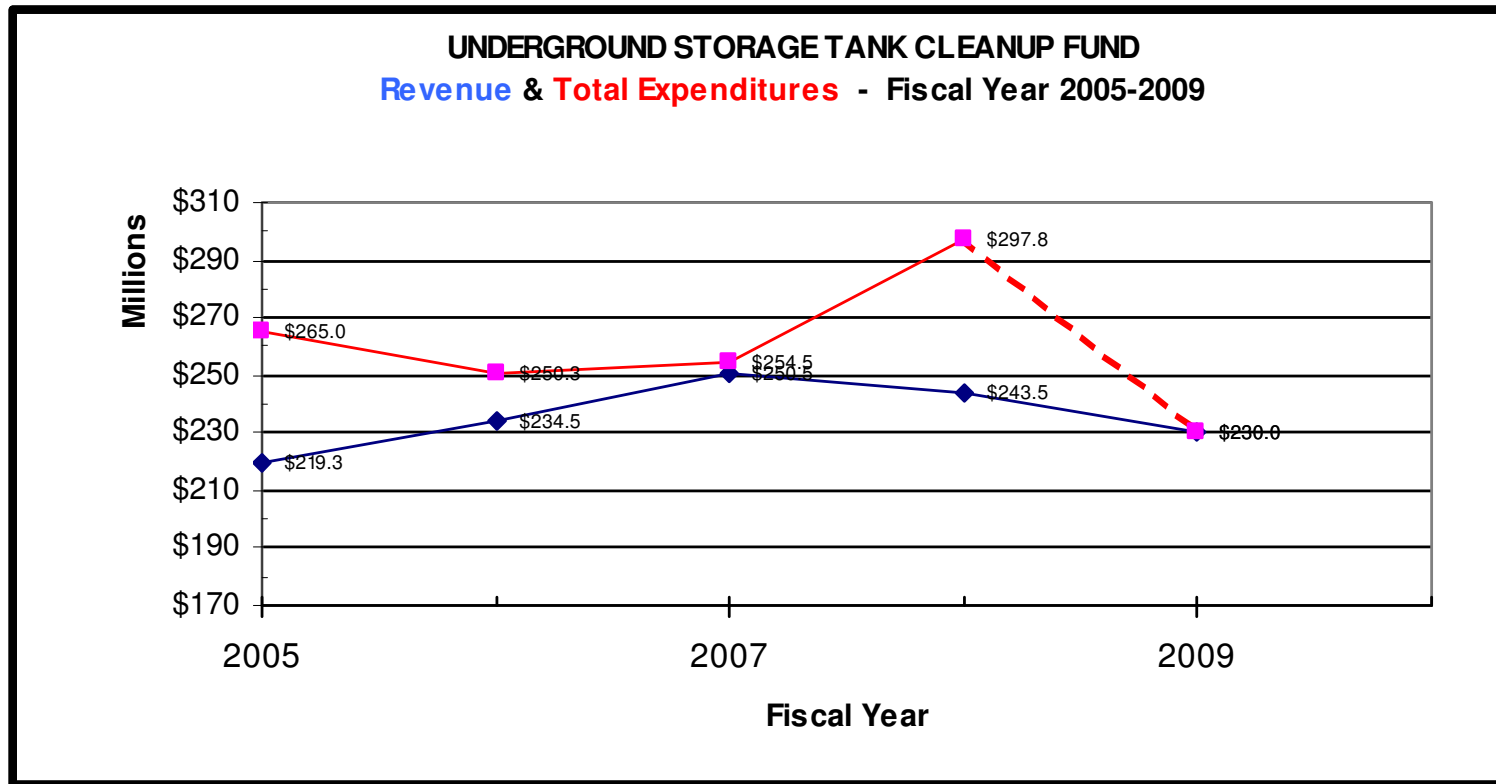
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Why? We have to get by with \$70 million less this year than last year



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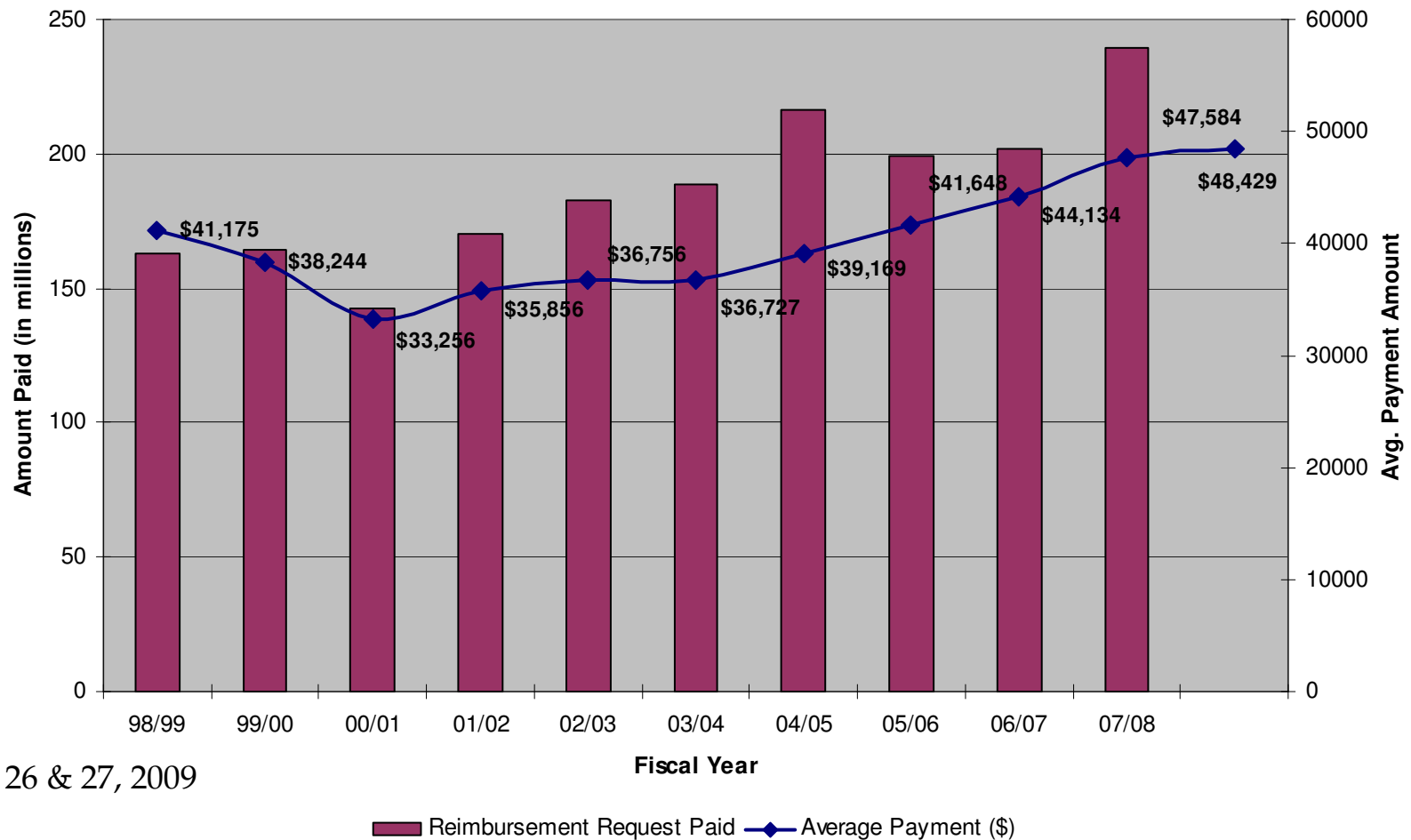




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Why? Cleanup Costs are Up

Total Amount Paid & Avg. Pmt.

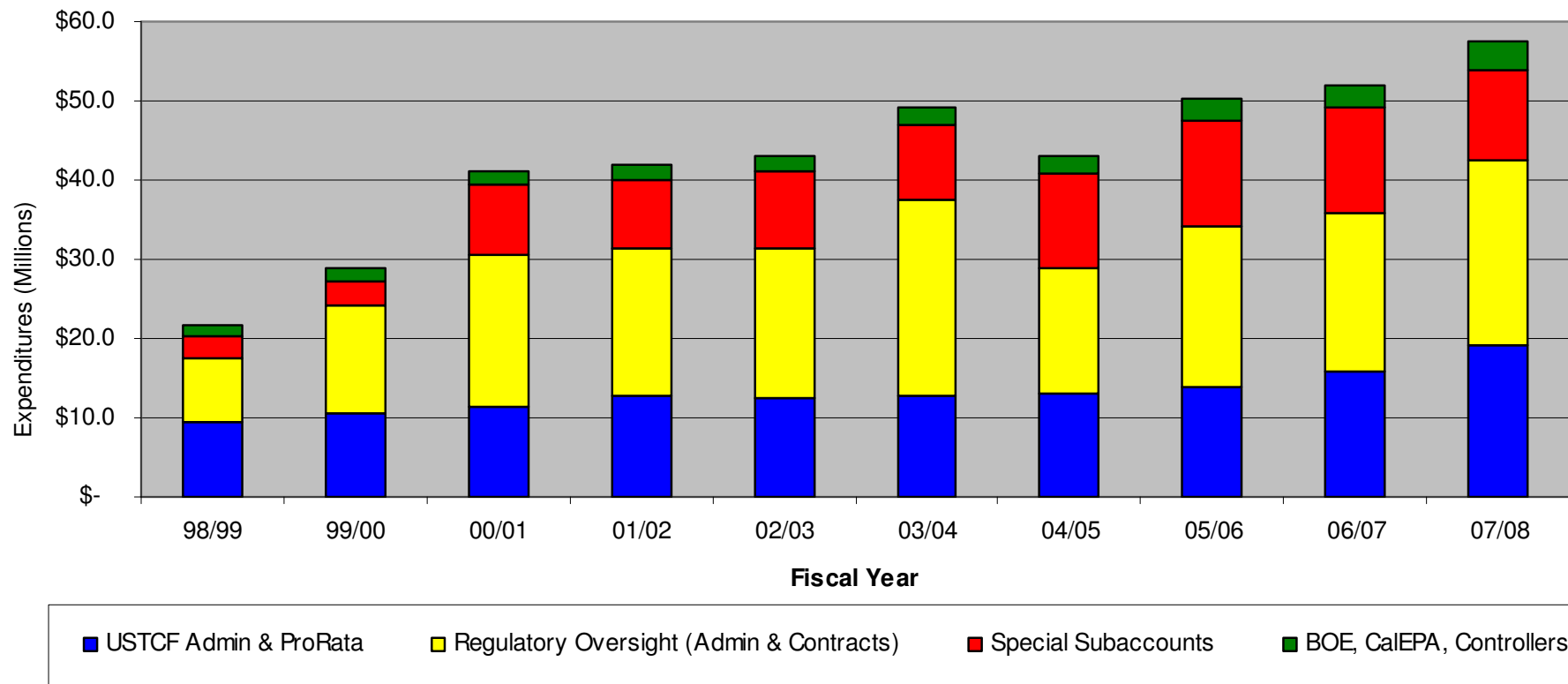




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Actual expenditures – non reimbursements

Why? Other program costs are up



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Calif. UST Cleanup Fund

Why?

*Site cleanups are taking too long to complete
&
A new claim is filed for every claim closed*





Calif. UST Cleanup Fund

Cleanups are taking too long

- Claims with active LOC of 5 years or more - 78%
- Claims with active LOC of 10 years or more - 43%
- Claims with active LOC of 15 years or more - 8%

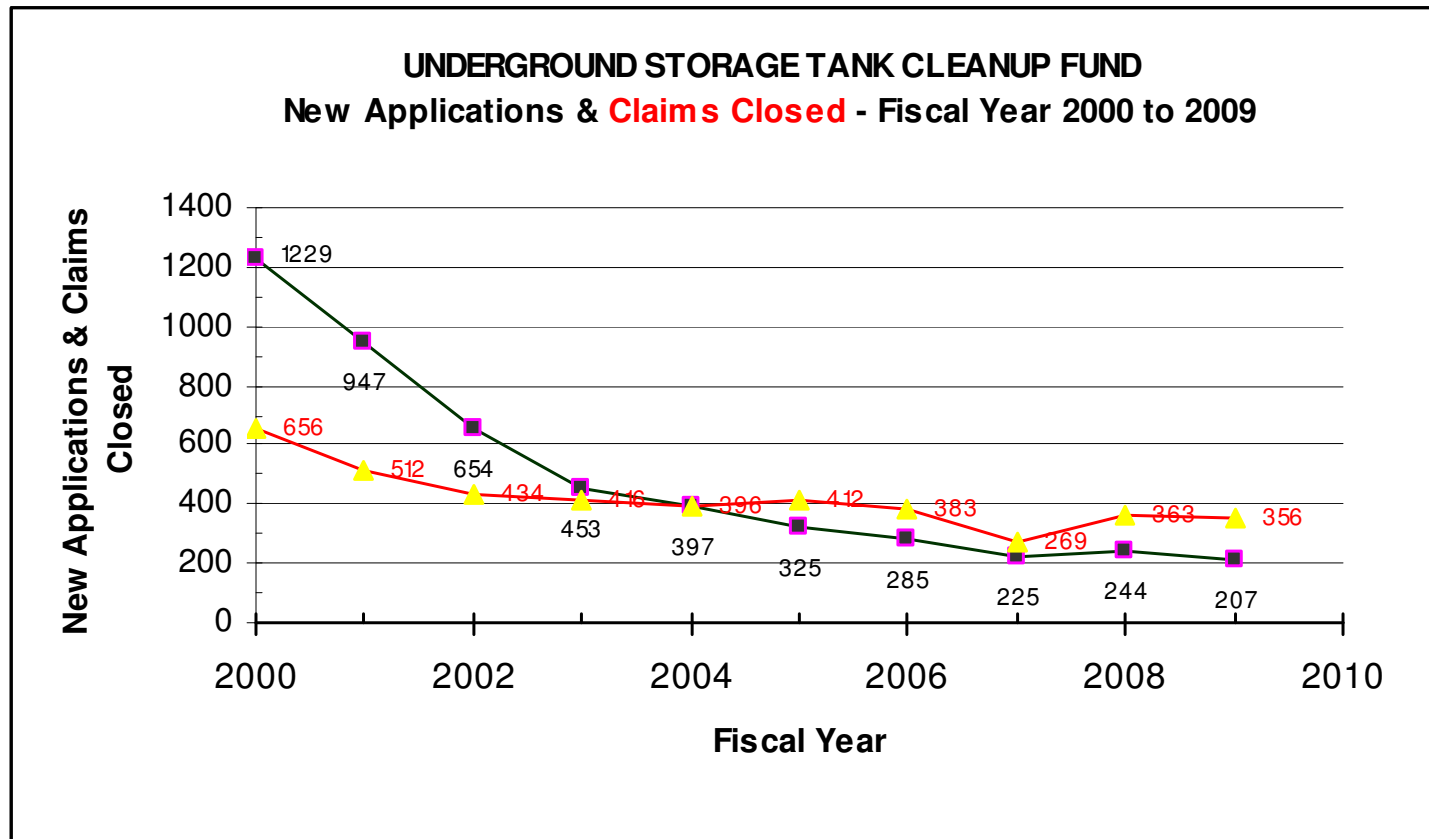
(% based on 4,305 active claims in early 2009, i.e. before suspensions)





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Why? New Claims are being filed at the same rate old claims are closed



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Actions Taken by State Water Board

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Calif. UST Cleanup Fund

Current Activities

Moving Forward

Key Dates - State Water Board Activities

- **March 9, 2009** **Board Workshop - Comments**
- **May 19, 2009** **Board adopted Resolution No. 2009-0042**
- **June 11, 2009** **Staff Workshop - Created 2 Task Forces**
 - **Regulatory Program**
 - **Fund Administration**
- **August 2009** **Program Audit of the Fund initiated by the firm of Sjober & Evashenk**
- **Oct. 2, 2009** **Task Forces presented short-term recommendations to Board**
- **Nov. 17, 2009** **Board will consider adoption of Task Force short-term recommendations**
- **Jan. 20, 2010** **Board will consider closure of multiple cases**

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Current Activities

Moving Forward

RESOLUTION NO. 2009-0042

Key Points

- **Regulatory case reviews of all open sites by June 30, 2010**
Results on GeoTracker. No new directives until completed.
- **DWQ will compile results & post every 6 months.**
- **Reduce monitoring to semi-annual by August 1, 2009**
Unless site-specific needs warrant otherwise
- **Fund will aggressively pursue 5-Year reviews & promptly elevate any site closure disputes**
- **Create task force(s)**
- **Audit Cleanup Fund**





Calif. UST Cleanup Fund

Current Activities

Moving Forward

Five-Year Review Results

- Through June 30, 2009, staff has completed review of 1,767 claims.
- The reviews fall out about as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
– Continue Course of Action:	25%	35%	30%
– Change Course of Action:	50%	45%	40%
– Consider Case Closure:	25%	20%	30%

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Current Activities

Moving Forward

Two Task Forces Established

- One addressing Fund issues and one addressing technical/regulatory program issues
- Comprised of regulators, tank owners, consultants and other interested parties
- Have met about twice monthly since July
- Recently issued short term recommendations

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Calif. UST Cleanup Fund

Current Activities

Moving Forward

Task Force

October 2009 Key short-term recommendations

1. Expedite Disbursement of Payments
2. Un-Suspend Letters of Commitment
3. Use State Water Board Criteria to Decide Case Closures

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Current Activities

Moving Forward

Potential Costs Savings

- **Reduced Monitoring**
Quarterly to Semi-annual.
- **Terminate Inefficient Site Cleanups**
Especially at low-risk sites
- **CLOSE CASES!**
Close cases active more than 10 years, and no active site cleanup will be required





Calif. UST Cleanup Fund

THANKS!

For additional info:

California UST Program Web Page:

http://www.waterboards.ca.gov/water_issues/programs/ust/

California UST Cleanup Fund Web Site:

<http://www.waterboards.ca.gov/cwphome/ustcf/>

